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THE METHODIST FEDERATION FOR SOCIAL SERVICE

An organization which seeks to abolish the profit system in order to develop a classless society based upon the obligation of mutual service.

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THE ROOTS OF FASCISM

The dramatic aspects of Fascism (See October Bulletin) are the ones that most easily get public attention. But more significant is the way its economic and political roots are striking down into the American soil. Does the public see what is happening?

THE NEW DEAL AT WORK

Its Purpose. The purpose of the New Deal is to get "Recovery" for the profit system. After noting "the almost complete collapse of the American economic system" President Roosevelt says of the NIRA, "its goal is the assurance of a reasonable profit to industry" (as well as of a living wage for labor). He tells the people in a radio fireside chat, "We count in the future as in the past on the driving power of individual initiative and the incentive of fair private profit," (along with obligations). He tells the bankers, "It is in the spirit of American institutions that wealth should come as the reward of hard labor of mind and hand. That is what we call a profit system." Similarly his aids. Secretary Perkins names as one of the objectives of the New Deal the "steady flow of profits" to those who lead out into new business fields. Secretary Wallace thinks that we must "set our own chaotic system into better order." Administrator Hopkins believes that we can work out our relief program "within the framework of the present system." Rexford Tugwell says that the 1932 election gave the administration a "mandate not to finally abandon our traditional system," but only to "overhaul," "repair" it. And now Raymond Moley, whose magazine *Today* is in effect the administration mouthpiece, says outright, "Basically the New Deal was an effort to save capitalism."

This is the purpose of Fascism elsewhere. Mussolini talked about giving capitalism a transfusion of blood. Hitler is less articulate, but big business subsidized his movement, when it was waning, by way of heading off Communism.

First Aid to the System. The first effort of the New Deal administration was to keep the system from further collapse, i.e., to save investments. The President declared a bank holiday and the Emergency Bank Act was rushed through—without displacing the "moneychangers." (See below.) At the same time measures were initiated to start the wheels of industry going again. The first thing tried was to increase purchasing power by increasing the wage fund. The methods used were (1) the code requirements and the blanket agreement designed to raise wages and lessen hours; (2) public works to reemploy the idle. In order that the new purchasing power might reflect itself in the market the administration attempted to keep prices down temporarily and to that end to get business men to keep their profits down. But presently there was a shift and an attempt was made to raise prices and to restore profits.

Subsidies to Business. By way of restoring profits the government poured large amounts of money into big business. An agency for this purpose, the RFC, had been set up in the Hoover administration to make loans to financial agencies and the railroads. Under Roosevelt's Emergency Bank Act national banks were authorized to issue, and the RFC was authorized to purchase, preferred stock with voting power. As amended later it provided a means by which federal capital could also be poured into banks operating under state charters. The total authorized capital of the RFC at the end of February, 1933 (just before Roosevelt took office) was $3,800,000,000. By February, 1934, the potential capital had been pushed up to more than $6,300,000,000.

Its chairman, Jesse H. Jones, has indicated that the chief purposes for which these additional hundreds of millions were needed was (1) for further loans to closed banks

and to aid them in liquidating their "frozen assets," (this would require about $400,000,000); (2) to aid the railroads in meeting $449,000,000 of railroad bonds falling due in 1934. Up to November 30th, 1934 it had dispersed over $6,527,600,000 of which over $2,300,000,000 had been repaid. The banks got the most—over $2,666,641,880 was allotted to going institutions, to closed banks for reorganization or liquidation, and to the purchase of preferred stock, and debentures of banks to build up capital structure. Now another $500,000,000 is to go to the banks.

Other Agencies. There are several other New Deal emergency credit agencies, among them the Farm Credit Administration, with $2,715,901,691 of loans outstanding, and the Home Owners' Loan Corporation, to which is owed $2,000,000,000, (in return for the mortgages it has taken over on 650,000 small homes), with another billion soon to be put out in 400,000 more loans. The chief beneficiaries of these two agencies are not the farmers and the home owners, but the banks, mortgage companies, etc.—according to Chairman Fahey of the HOLC, 90% of the $2,000,000,000 has gone to the commercial banks, savings banks, insurance companies, building and loan associations and mortgage companies. (In November it ceased receiving applications. The chairman now announces that the government will foreclose on mortgages if interest is not met when due.)

Public Works. Another emergency agency is the Public Works Administration. During the first 19 months of the New Deal, agencies of the federal government have received PWA allotments totaling $2,711,000,000 and non-federal groups almost a billion dollars. This represents a gigantic effort to give jobs. But the spending is not all social gain. The military departments of the government have again and again dipped into the PWA funds, taking out millions (see May Bulletin). Over $199,607,000 went to railroad companies—more subsidies to big business. Secretary Ickes is now urging a great government-financed, low-cost housing program (and coming into conflict with Federal Housing Administrator Moffett who, backed by the real estate interests, wants to finance a federal housing program with private capital). Ickes proposes to the building trade workers that they accept a drastic reduction in wage rates in return for more work.

Relief. Total government disbursements for relief (through the RFC) up to November 30 totalled $1,124,471,488.91 (cf. bank disbursements above). The present tendency is away from direct relief. Business men and the right wing in the administration are urging the President to end experimentation and balance the budget, partly by cutting relief. Now Federal Emergency Relief Administrator Hopkins has ordered work relief wages cut from 40c to 30c an hour. This is in answer to the protests of local business men, especially southern landlords, that work relief wages were more than "prevailing local rates." The result will be to stabilize industrial and farm wages at a lower level. It will mean increase in profits and decrease in consuming power, i.e., more misery, not less.

Will Roosevelt Go Left? This is not what the President wants. He has expressed sympathy for the forgotten man, has promised jobs, social security, restoration of business. The people have endorsed this program. But at the same time he clings to a belief in the profit system. Thus he is defeated from the start when business men use suasion and threats against his big spending program. Also where will the latter road lead? It calls for more and more giving and thus for more and more taxes. So he talks now of turning the job back to the business men.

The same mixture is in the minds of Mussolini and Hitler. Probably they are sincere in wanting the good of their people. But because they don't know what's wrong with the system they don't know how to get what they want.

SOME RESULTS

Increased Profits. The subsidies to business have been a factor in enabling it to keep on piling up profits during the crisis. The *Journal of Commerce* indicates that 1934 corporate interest and dividend payments will probably reach over $6,300,000,000. This means that they will top the figure of any pre-depression year except 1929, and triple the total of 1913. In 1930 and again in 1931 they reached over $8,000,000,000 Donald Richberg, in his report to the President on August 26th on the progress of national recovery, quoted figures on profits from the Standard Statistics Company: The net profits of 506 companies of all types rose from $157,579,000 in the first half of 1933 to $408,572,000 in the corresponding 1934 period—an increase of over 200%; and in the same two periods the net profits of 402 industrial companies rose from $47,380,000 to $355,870,000, a 600% increase.

Lower Living Standards. At the same time standards of living for the masses of the people continually fall. The Consumers' Council of the AAA has just completed a national milk survey for 59 cities. It shows that one family in every seven, over 14% of the total, bought no fresh milk at all. All the families surveyed had children. A standard milk diet calls for a pint to a quart a day for every child. But the average was half a pint a day for every person. Some 9,000,000 families live in homes that conservative investigators call sub-standard. The people's cultural standards lag. Hundreds of rural schools have been closed; tens of thousands have been reduced to only two or three

months in a year; 5,000,000 unemployed youth have been trained for a type and standard of living that is not available to them.

Extreme depression of the people's living standards is a characteristic of Fascism. In Italy salaries and wages have been reduced again and again. They stand today 35% to 50% below those of 1921. In Germany, in 1933 there was a decline of 10% in the consumption of the principal food stuffs during the first and second quarters, with a 30% decline for some articles; and stabilization at this lower level in the third quarter of the year.

More Unemployment. The administration has not succeeded in getting men back to work. The figures of the A. F. of L. and of the National Industrial (employers') Conference Board agree that unemployment was greater in the fall of 1934 than it was a year ago. The A. F. of L. figures for October show an increase of 550,000 unemployed—from 10,122,000 in October 1933 to 10,671,000 in the current October. In the very effort to weather the depression business men use new machines and new speed-up programs which displace workers. Isador Lubin, U. S. Commissioner of Labor Statistics, estimates that with complete re-absorption by the manufacturing field 6,000,000 persons would still be left jobless. Economists like Stuart Chase and Lewis Corey put the permanent unemployed at a much higher figure.

Compare Italy where the registered number of unemployed rose from 606,000 during the winter of 1922 to 1,158,000 in the winter of 1934. And Germany where in March Hitler urged the necessity of finding jobs for 5,000,000 unemployed—in a working population greatly reduced by the elimination of married women, and of Jews and radicals, who are in concentration camps or have fled the country.

More Relief Necessary. According to the FERA one out of every eight persons, or about 17,000,000, are on relief. Richberg recently estimated that by February, 1935, some 5,000,000 families, or over 22,000,000 persons will be on relief—an increase of a million families as compared with the spring of 1933, just after Roosevelt took office. A nationwide survey by the FERA seems to back up the economists who say that industry cannot re-absorb the unemployed. Administrator Hopkins is now proposing to the President to substitute for the "dole" a gigantic "work program." Low cost housing would be part of it. The workers would raise some of their own food. Part of the money loaned, he thinks, would be paid back. *By whom? Out of what? This program spells lower wages and lower living standards.*

Higher Prices to Consumers. More is being paid for necessities. This is part of the program. President Roosevelt says that we must get prices up some more. They have been going up steadily. According to the U. S. Bureau of Labor Statistics retail food prices remain at a level 28% higher than the low point of April 15, 1933. They are 8% higher than they were on November 7, 1933, and are about at a parity with those of November, 1931. Payrolls have not risen. During the third quarter of 1934 factory payrolls dropped 5.2%. To try to increase purchasing power by raising prices first is economic madness.

Industry Does Not Pick Up. So industry continues to lag. The National Industrial Conference Board reported in October that advances made since last November were wiped out in a succession of downward movements in recent months; that the general level of production has fallen to the lowest point since the second quarter of 1933; that distribution and retail trade made less than seasonal advances. There has been a slight business improvement in the past few weeks and business men, starting a big new drive for recovery, are once more giving out cheery statements. But their economist, Virgil Jordan, has just told them, "We are little, if any, nearer recovery than we were two years ago . . ." Moreover, in the little pick-ups of the declining period of capitalism the same thing happens that happened in the "prosperity" period. Any additional buying power is soon exhausted because too much of the gain goes to business, too little into consumers' purchasing power. And it happens quicker because the amounts are less and the process is cumulative. Thus the gulf between the successful investors and the rest of the population is widened. The New Deal talk about "harmony" is completely unreal.

Class conflict is of the essence of Fascism. In the purpose to save the profit system there appears the effort to save one class at the expense of another, and the lower middle class is ground between the upper and nether millstones. In blind, unintelligent, emotional reaction it then provides the Fascist storm troops.

THE ECONOMICS OF SCARCITY

Creating Scarcity. What has been happening is that the administration has been at the job of creating scarcity. This is a characteristic of capitalism and reveals one of its fundamental contradictions. Mass production requires more distribution of the things produced. But profit-seeking capitalism, with an eye on the market, calls for keeping prices up and thus for less distribution. It destroys its own market. The NRA codes, as formulated and then administered by the big men in the big trade associations, operate to this end by means of production control and price fixing.

The Farm Program. But the clearest illustration of creating scarcity is seen in the New Deal agricultural program. It was the chief method used to bring farm prices back to pre-war parity. The idea was not exactly new. Hoover's Federal Farm Board (composed of big business men) appealed to the governors of 14 cotton states to urge the cotton growers to plow under every third row of their crop. The AAA made curtailment, by specified percentages, of cotton, tobacco, wheat, corn and hogs, official. Roosevelt said, "The cure is not to produce so much." And to him the drouth represented accomplishment in a single year of what the scarcity program was to accomplish in three. Secretary Wallace has just announced the 1935 cotton-reduction program. It calls for holding the crop down to 12,000,000 bales in return for rental and benefit payments, i.e., a reduction of plantings of 25% of the 1928-1932 average. The new corn-hog program calls for a 10%, instead of as last year a 25% reduction under the 1932-33 average. It is to be achieved by "voluntary cooperation."

The basic incapacity of Fascism is that it can't fulfill its promises of giving the people a better life because it is trying in vain to operate an economics of scarcity.

POLITICAL EXPRESSION

To carry out the purpose of restoring the profit system and running industry by governmental aid it is necessary to change the form of government. The change called for by the New Deal represents the exact opposite of what liberals, including leaders of the social movement in the churches, have envisaged when they have talked about extending political democracy to the economic field.

Concentration of Executive Power. Instead there has been a concentration of power in the administration which in effect represents the lessening of democracy—of government of, by, and for the people—and an extension of governmental power over the people. In the Federal government, under the New Deal, this is shown by: the transfer of powers from Congress to direct appointees of the President; the coordination and centralization of such public services as transportation and communication; the recent reorganization of the NRA. (Three boards took the place of one; General Johnson went and five new men were appointed. But the White House made it clear that all orders and recommendations would need the President's personal approval to become effective.) This extension of authority is seen locally as well as at Washington. Mayors, police, etc., come to have authority over people instead of being their servants, as the democratic ideal requires.

How it Works. This concentration of power is used to repress those who oppose the profit system. So there appears the terror described in the October Bulletin. While the welfare activities of the New Deal keep some of the victims of the profit system from actually starving, the repression carried on under its aegis prevents the sufferers from using democratic forms to change the system. At the other end this concentrated governmental power enables business men to escape the anti-trust laws, fix prices, control production, and thus make big profits.

Hamstringing Labor. The only group that could now offer effective resistance to the program of saving capitalism by subsidizing big business and reducing the living standards of millions below the poverty line is organized labor. When Roosevelt took office it was vigorously promoting a 30-hour week bill. The administration substituted NIRA, with its section 7A guaranteeing collective bargaining. An elaborate enforcement machinery was developed. Top A. F. of L. officials were tied into the NRA and lesser labor leaders were put on local labor boards. But in neither case did they have any power or even proportionate representation with business interests. For the strike the New Deal substituted arbitration. Government machinery is quickly mobilized to head off strikes, or to break them in the name of "settlement." When labor forces a showdown the administration dallies and the employers win. Now when labor's renewed demand for the 30-hour week is being met by the employers with a strong offensive for anti-strike legislation, Secretary Roper talks about defending "the right not to strike," "the right to work without molestation." And Richberg warns against union "coercion."

What It Means. This policy has two parts that dovetail perfectly. On one side is self-government for "industry," which gives both freedom from anti-trust laws and the aid and authority of the state to organized groups of industrial and financial leaders. On the other side is the gradual substitution for labor's right to strike of mediation and arbitration procedure through agencies in which the interests of industry and finance have the strongest voice and the most power.

Compare this with the effective control over organized labor achieved by Italy's corporative state and Germany's totalitarian state.

Sources. Besides those quoted in text—Dutt, "Fascism and Social Revolution"; *New York Times; Wall Street Journal; Daily Worker;* Federated Press; Labor Research Association Notes; *World Events;* International Federation of Trade Unions Service.

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